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TEKTRONIX, INC. ANNUAL REPORT



21st Year Ending May 27, 1967

TEKTRONIX, INC.
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Tektronix, Inc. 1967 Annual Report

CONTENTS

Financial Highlights	2
President's Message	3
The Laboratory Oscilloscope	5
1967: Our Operations in Review	6
1967: The Market in Retrospect	8
The 454: A Case in Point	11
1967: The Company in Summary	14
1968: The Prospects, in Conjecture	21
Accountants' Opinion	22
Explanation of Financial Statements	23
Resources Provided and Applied	23
Earnings and Reinvested Earnings	24
Financial Condition	25
Notes to Financial Statements	26
Financial Statistics	27
Directors, Officers and Management	28
Marketing Facilities and Representatives	29

Transfer Agents

United States National Bank of Oregon
Portland, Oregon
Morgan Guaranty Trust Company
New York, New York

Registrars

First National Bank of Oregon
Portland, Oregon
First National City Bank
New York, New York

SHAREHOLDERS MEETING

The annual meeting of shareholders of Tektronix, Inc. will be held on Saturday, September 16, 1967, at 9 a.m. Pacific Daylight Time, in the Cafeteria Building, S.W. Karl Braun Drive, Tektronix Industrial Park, near Beaverton, Oregon.

TEKTRONIX FINANCIAL HIGHLIGHTS

The accounting year is the 52 or 53 weeks ending the last Saturday in May.

1966		1967		Increase	
\$101,759,000	100%	\$129,031,000	100%	27%	RECEIVED BY THE COMPANY Mostly from the sale of oscilloscopes and related instruments.
90,707,000	89%	115,642,000	90%	27%	RELATED COSTS AND EXPENSES
33,324,000	33%	45,004,000	35%	35%	TO OUTSIDE SOURCES To pay for raw materials; purchased parts; advertising space and services; insurance; rent; utilities; interest, and other business expenses.
45,556,000	45%	55,099,000	43%	21%	FOR EMPLOYEES To pay the men and women who design, make, sell and service our instruments—including profit share, social security and other employee benefits.
2,456,000	2%	2,991,000	2%	22%	FOR USE OF FACILITIES OWNED To provide for depreciation in value of buildings, machinery and equipment resulting from use, wear and age, mostly computed by sum-of-year's-digits method.
9,371,000	9%	12,548,000	10%	34%	FOR TAXES To pay U. S., foreign, state and local taxes and licenses.
11,052,000	11%	13,389,000	10%	21%	RESULTING IN EARNINGS Used to retire debt and expand our business.
\$1.38		\$1.68		22%	EARNINGS PER COMMON SHARE
115,866,000		129,963,000		12%	ORDERS RECEIVED Customers' orders measured at U. S. catalog price.

1966	1967		Increase
\$52,781,000	\$62,952,000	Current Assets	\$10,171,000
\$20,864,000	\$23,258,000	Current Liabilities	\$ 2,394,000
\$31,917,000	\$39,694,000	Working Capital	\$ 7,777,000
\$22,720,000	\$25,433,000	Facilities—Net	\$ 2,713,000
\$ 458,000	\$ 2,077,000	Long-Term Indebtedness	\$ 1,619,000
\$54,819,000	\$67,548,000	Shareholders' Equity	\$12,729,000
6,482	7,270	Number of Employees at Year End	788

TO SHAREHOLDERS AND EMPLOYEES:

It is a welcome opportunity to comment, when each successful year ends, on the many accomplishments of Tektronix men and women.

One year is an arbitrary time base; many details of Tektronix progress, described in this report, are most meaningful when they are seen as part of a continuum. Tektronix, unlike some companies, is not very event-oriented.

As the financial and narrative sections indicate, this year Tektronix increased its sales, earnings, orders, physical facilities, personnel and productive efficiency. These attainments were accompanied by many changes, which are described in detail. It may, however, be most appropriate for me to remark on some aspects of our growth that are more abstract, and which do not change.

Our increase in per-employee output was very evident—and very substantial. Although no single statistic tells the entire story, this one is illustrative: A year ago, with a net gain of 1500 people, our sales increased by \$20.5 million; this year, with a net gain of 788 (including 400 added after midyear through two overseas acquisitions), sales went up by \$27 million.

It may appear easy to meet the dips and humps of order demand with corresponding addition and subtraction of employees. This has never been Tektronix policy; not only is it undesirable from a human standpoint, but it also tends to retard the long-term health of the company. We have always tried to hire the best people, and retain them by providing an atmosphere conducive to personal growth. Thus this year, despite the emphasis on producing, much time and personal attention was given—often by top management people—to individual matters of hiring and wise use of people.

One result is a work force that is increasingly experienced, trained and dedicated—one that, as it has proved before, is willing to accept changing responsibilities and make difficult adjustments when asked—including working long hours, or temporarily changing jobs.

An important ingredient in Tektronix success has always been the eagerness with which its people, at all levels, have confronted new experiences and fresh points of view. This enthusiastic search for renewal is an attribute essential to our ability to keep abreast of our changing world, and to grow as human beings.

About 3000 of our employees took part in some formalized schooling, either in our own extensive education program or in outside colleges, aided by tuition refunds. This participation indicates they share Tektronix' feeling that combined personal and job growth is, today, not an option but a necessity.

Increasingly complex technology demands more and more of a company's resources. And the increasing complexity of individual jobs also demands more and more of a person's resources. Thus our efforts to encourage continuing education stress broad development of the individual as much as job-related schooling.

Among the signs of increased technological sophistication were these:

Our integrated-circuitry laboratory has come along very well, with little of the "wheel-spinning" expectable of such a complex new effort. The lab has already produced a number of high-quality ICs of types not commercially available, for advanced oscilloscope models.

Our design engineers broadened their abilities this year by mastering a new tool, the scientific computer, which has enhanced and implemented their creativity.

The state of the art at Tektronix is not only a concern of instrument design, but pervades the entire organization. This year, great strides were made in the techniques and methods of mechanical engineering, and in our use of basic support from our physicists and chemists.

This does not mean we rely any less on the circuit engineer; actually, we are asking more of him than ever before—demanding, in addition to his insights and knowledge, the ability to creatively make use of these increasingly sophisticated supporting resources.

In this effort to integrate all our diverse technological assets, "good communications" are

more than a mere abstraction. This year, the relationship among our technical and operating areas continued very close, a cooperative attitude that enabled full attention to be given to the problem or task at hand, unimpeded by artificial organizational barriers.

The discerning reader may note that some of the above comments resemble my remarks last year. You are correct; for the major company strengths—chief among them strength in people—do not fluctuate from year to year. I hope, in fact, that I will make many of the same observations again in future annual reports.

The report describes our acquisitions of Telequipment, Ltd., London, and Relations Techniques Intercontinentales, Paris. I would like to take this opportunity to warmly welcome the approximately 400 employees of those companies into the Tektronix family.

These acquisitions re-emphasize that Tektronix is an international company. Our sales outside the United States continue to account for almost 30 per cent of our total volume—about six times the figure for the average U. S. company that does business internationally.

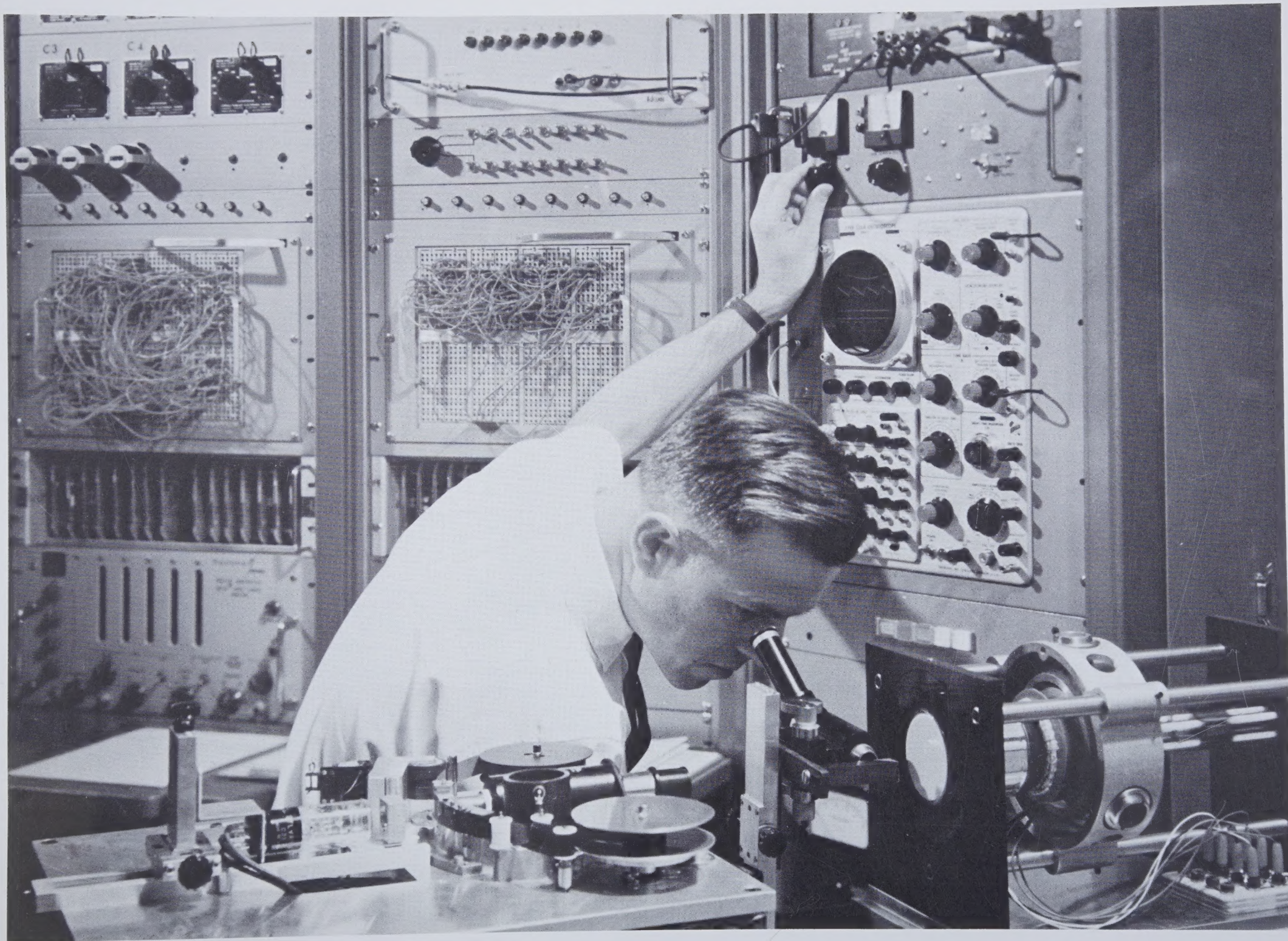
In the area of world trade, a word may be in order about the Kennedy Round of tariff negotiations, which ended this year. It is too early to assess most of its effects, but our feeling now is that over the long-term they will benefit companies like Tektronix, who are in technologically advanced industries.

I hope you will find the remainder of this report both interesting and informative; that you will let us know how it might be made even more meaningful to you; and, once again, if you are in the Beaverton area, that you will visit Tektronix. We think you will be proud of your company.

Howard Vollum

August 1, 1967

President



THE LABORATORY OSCILLOSCOPE

One electron weighs .000000000000000000-0000000003 of an ounce. It would take over one billion of them to equal the thickness of this page. Electrons move at incredible speeds.

Yet man has put them to use.

His existence today, and his survival tomorrow, depend in large degree on the seemingly impossible task of manipulating, and measuring, the movement of electrons. One giant segment of industry is *called* Electronics; yet very few of man's endeavors today are *non-electronic*.

Voltage changes occurring hundreds of millions of times a second are one reason a high-speed computer "thinks" so fast. To measure such changes demands superb instruments. The laboratory oscilloscope is one such instrument.

A Tektronix oscilloscope can present a stable "picture" of electrical "events," or changes, occurring in a fraction of a millionth of a second, as well as those lasting longer than a minute. It enables a scientist or engineer to peer into a slender fragment of time and learn more about some particular change that matters to him.

Today, the kinds of changes that man needs to know about are countless. The major instrument for measuring them is the oscilloscope.

The oscilloscope draws a graph of some "event" so someone can measure the magnitude of that event and how long it lasts.

It has three major segments:

- The CRT, or cathode-ray tube (like a TV picture tube), on whose fluorescent face the graph appears. A focused electronic beam from the CRT cathode makes the screen glow, a spot of light. This spot—moved up and down and

from side to side—draws the graph on the tube face, much as a pencil does on paper.

- The time-base generator, whose electrical signal moves the spot across the screen at a uniform speed, left to right, repeatedly. The screen is ruled off like a sheet of graph paper. You can make the spot cross the screen at almost any rate—one second per ruled division, a hundred/millionth of a second (or less) per division.

When this spot moves faster than the eye can follow, it becomes a *trace*. On a conventional oscilloscope, the trace, if it is repeated 20 or more times per second, appears as a solid line; on storage oscilloscopes, a *single* trace can be recorded as a line.

- The vertical amplifier, which, when connected to a changing voltage, moves the spot up and down. You can make each vertical ruled division represent many volts, or a small fraction of one volt. The number of divisions the spot moves tells you the signal voltage—and thus the magnitude of whatever that voltage represents: Heat, light, sound, gravity, pressure . . .

Thus the oscilloscope plots a graph of an electrical event—or of any phenomenon converted to voltage. This graph tells whether the voltage is changing positively or negatively; the amplitude and duration of the event (or any portion of the event) and the shape of the waveform.

Phenomena that happen over and over produce a continuous image on the screen. But the oscilloscope can also graph events that happen randomly, or only once: An explosion, the radiation of particles as an atom is split . . . Even if the event happens only once and lasts only a millionth of a second, special cameras can record the graph as it flashes across the screen. Or, some oscilloscope types store the graph on the screen, for as long as needed.

In summary: The oscilloscope graphs the changes in some event with relation to time—measuring the amplitude of the event on its vertical axis, and how long the event lasts on its horizontal axis.

SYSTEMS that merge the potential of photography with the capabilities of electronics are under study at Eastman Kodak Company. A Tektronix oscilloscope is an integral part of the laboratory equipment. (Photo courtesy Eastman Kodak.)

1967: OUR OPERATIONS IN REVIEW

Worldwide sales about 27 per cent greater than those of 1966 were one measure of Tektronix' excellent year. And, once again, our ratio of earnings to sales was higher than that of any comparable company we know of.

It was a year of growth in customer orders, despite increasing cloudiness in the US business climate.

The domestic economy, overheated as the year began, cooled noticeably, if selectively, in the last half. Diversion of national attention, and national resources, to the deepening jungle war in Asia increased. And a variety of other economic and political pressures combined to chip away at profit levels of US business.

Internationally, despite a spotty economic picture overseas, we still realized a 5 per cent increase in orders.

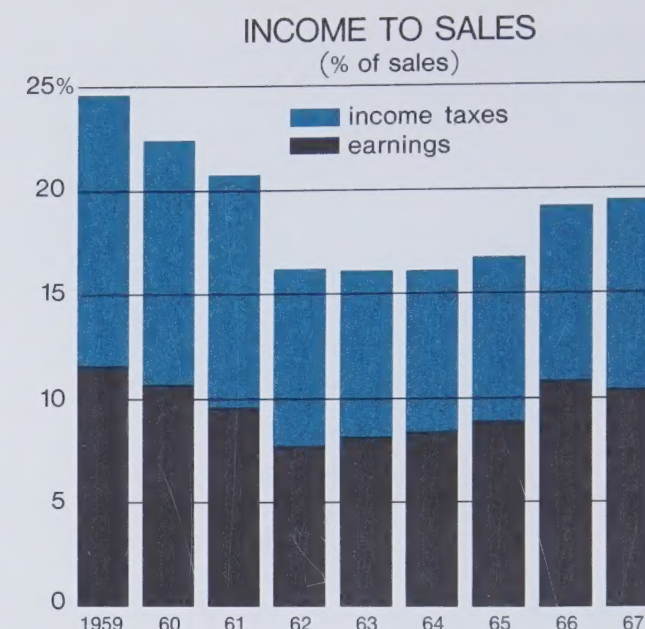
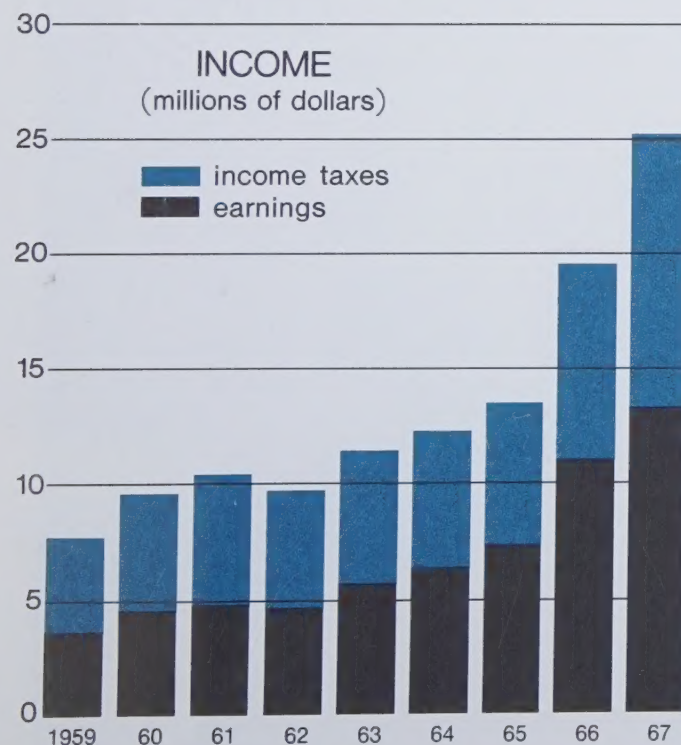
Tektronix' growth in total orders was not as precipitous as it at first threatened to be. But the year's orders ran strong, demanding an intense and difficult productive effort—described in detail later in this report.

Output increased 30 per cent—without a sizeable addition to our work force. Finished-goods inventory held steady at a reasonable level, reflecting the efficient matching of scheduling to incoming orders.

Paced by very high sales of our type 453 portable, introduced a year earlier, all major Tektronix instruments found excellent customer response. And the markets for the oscilloscope, already diverse, expanded still further, as the awareness grew of just what that instrument can do.

In brief:

Sales increased, worldwide, to \$129,031,000 from \$101,759,000. The increase in the US was



about 31 per cent, to \$93,948,000 from \$71,702,000; in international markets, 17 per cent, to \$35,083,000 from \$30,057,000.

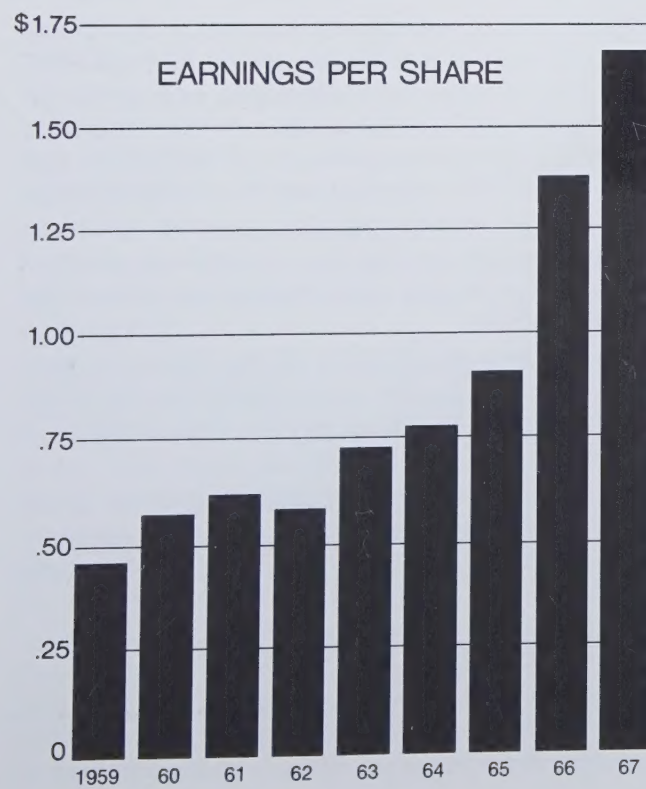
Earnings rose to \$13,389,000 from \$11,052,000—up about 21 per cent over those of the previous year.

Per-share earnings increased 30 cents, moving to \$1.68 from \$1.38.

Customer orders went up by 12 per cent, to \$129,963,000 from \$115,866,000.

In this, our second straight year of very intensive production, our large gain in output was not achieved merely by adding people. It resulted from selective and often heavy use of overtime, increased reliance on advanced production equipment and techniques—and careful, measured hiring.

Thus we ended the year organizationally in a position of strength and responsiveness, with a trained and efficient work force.



1967: THE MARKET IN RETROSPECT

A speaker introducing a celebrity was extolling his many exploits: He had graduated at the top of his class at Harvard, swum the Channel, climbed Everest, sailed the Atlantic alone and earned a million dollars before he was 25.

"Sure, sure," agreed one listener, "But what has he done *recently*?"

That sort of demand—for *continued* excellence—is often put on a company that has a history of leadership. It is a proper expectation.



What has Tektronix done—recently?

At the mammoth IEEE electronics show in New York City in March, we had a 60-foot booth—and filled it entirely with new instrument models.

It should be realized that this technological outpouring is expected to maintain our lead in the various markets, rather than to produce a great leap in sales.

Still, it is worth comment that Tektronix at IEEE introduced more new products than all its competitors combined.

Comment from customers was very favorable, giving us every reason to believe that these products will have excellent sales—just as the instruments introduced in the last two years paced *this* year's strong performance.

As government funds continue to be shunted away from research and development into military uses, companies like ours who do not produce war materials can't help feeling some effects. Yet, Tektronix never *has* dealt in direct government R&D contracts; thus the impact of such funds diversion is far less than that felt by direct contractors.

As expected, our major customers were companies and agencies engaged in various aspects of the broad field of electronics—including the computer industry and television. But sales in *all* user areas, some far removed from electronics, were very good; and many additional markets appeared which, although small, were important in that they signaled the entry of the oscilloscope into totally new areas of measurement.

Among the factors that produced a good year, these deserve mention:

- **Spectrum analysis.** Tektronix, consistently ranked an overwhelming first in product-preference polls as a supplier of oscilloscopes, is working steadily toward a similar reputation as a major producer of spectrum analyzers. In this, our third year of analyzer production, our type 491 provided a combination, offered in no other spectrum analyzer, of light weight, high performance, reliability and reasonable cost.

Two low-frequency analyzer plug-ins for Tektronix oscilloscopes, the types 1L5 and 3L5, filled a long-standing gap in the industry.

- **Storage.** Tektronix' output of its storage oscilloscopes, the 564 and 549, doubled during the year. This sharp increase is attributable to a very successful cooperative attack, by a wide cross-section of engineering and scientific talent, on the persistent, elusive and difficult technical problems that had held down storage-tube yields and hampered our ability to keep pace with customer demand for this unique oscilloscope characteristic, storage.

- **New instruments.** Products introduced this year, extending and substantially upgrading our line, are already being well received. Among them:

The type 454, the world's highest-performance general-purpose portable oscilloscope. Light-weight and rugged, it will be a major factor in keeping ahead of expected user needs, not only in computer and electronic equipment servicing but also for laboratory research.

The type 568 oscilloscope combined with the type 230 digital unit greatly enhances our ability in the systems area. Systems—complex assemblies of coordinated instruments, including Tektronix programmable oscilloscopes—are used to test integrated circuitry and transistors.

Response to the 230 indicates it will meet industry requirements for testing—at production rates—not only components but also entire subassemblies.

This year's redesigning of the Tektronix system has improved its performance by an order of magnitude. Systems continue to grow as a portion of our total business.

A number of interchangeable plug-in units, introduced during the year, provided state-of-the-art technical advances. Plug-ins and plug-in scopes continued their steady sales.

Although the plug-in, a Tektronix innovation, may seem to lack the "glamour" of complete instruments, its effect is significant. Essentially, it allows the owner of a Tektronix plug-in oscilloscope mainframe to adapt his instrument to

new, and usually more difficult, jobs for a good deal less than the cost of a new instrument.

- Geographically, these were among the signs in the market:

Sales overseas were uneven. In Germany, for instance, where economic doldrums prevailed, sales declined approximately 8 per cent.

However, markets grew at a healthy rate in some other countries, including: Japan, where our sales have more than doubled in the two years of Sony/Tektronix' existence; The United Kingdom, despite complaints from most of the industry that the market was "soft"; Canada, benefiting from the advent of color TV programming; Italy, and Australia.

The situation in the UK is especially noteworthy—and a bit surprising:

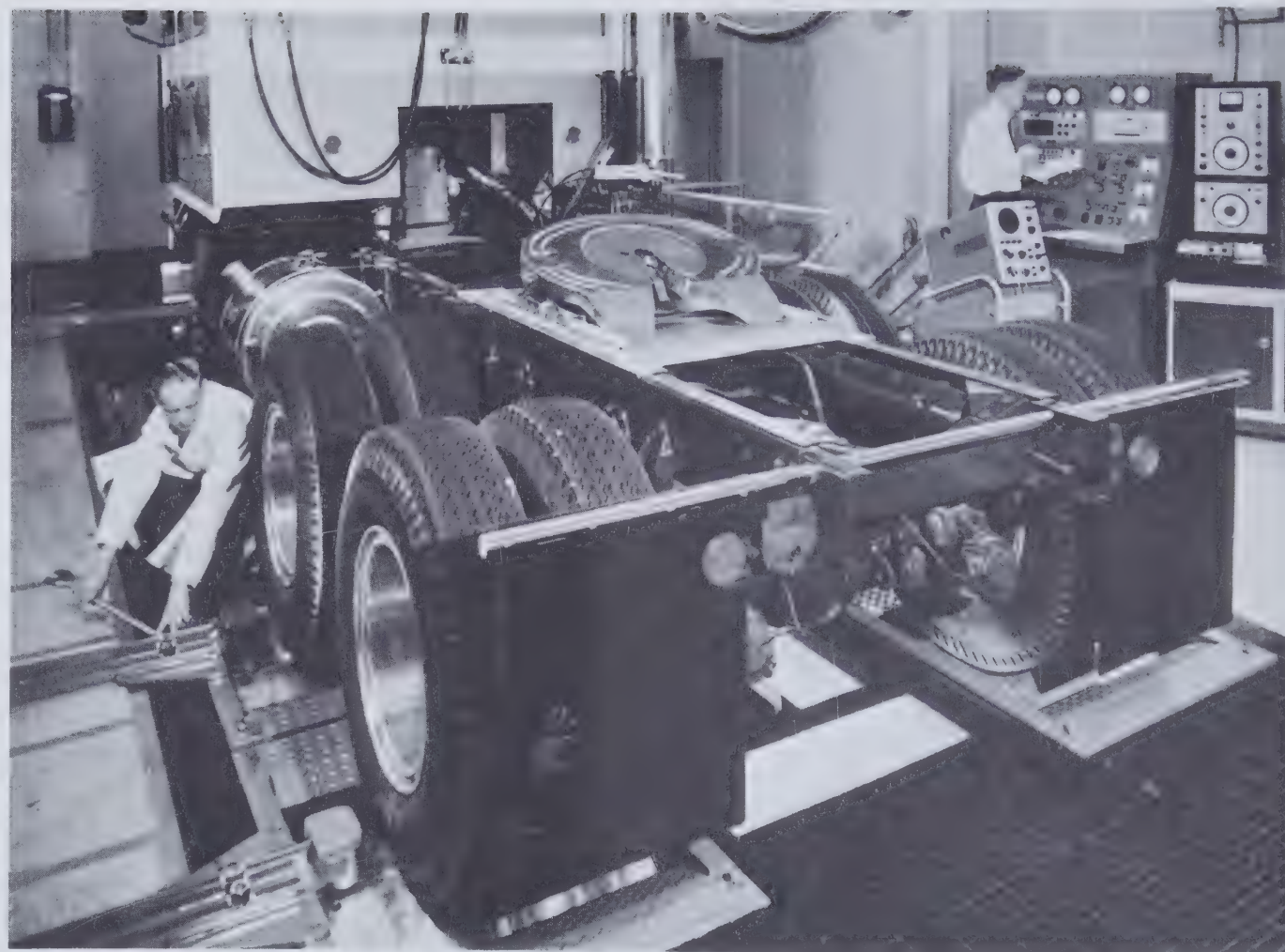
During half of the year, an import surcharge on non-British products meant that a customer had to pay 10 per cent additional for Tektronix oscilloscopes. We expected this would hurt us and help domestic scope makers.

However: The customers merely decided to pay the price, rather than purchase domestic instruments.

Sales in Southeast Asia and South America, technologically embryonic areas, went up noticeably. These are small markets, but they will grow; and there is leverage to be had from being there first with the best.

Outside the electronics industry, these were among the newer markets sharing growth during the year:

- *Numerically controlled machine tooling.* These computer-oriented machines required additional numbers of portable oscilloscopes for maintenance and servicing.



- *Schools.* More and more junior and community colleges have appeared—and in them, as in an increasing number of high schools, the electronic and scientific curriculum is expanding, and making more use of oscilloscopes.

- *The transportation industry.* Increasing sophistication in measuring instruments is required: For commercial-aircraft navigation equipment; in mass-transportation facilities, such as San Francisco's emerging Bay Area Rapid Transit, for which we have already furnished instruments; and, increasingly, in automobile manufacturers' research laboratories.

SEVERE TRUCK VIBRATION problem is duplicated in "bogey bop" test at Ford Motor Company. Increasing use is being made of oscilloscopes in automotive research laboratories. A Tektronix instrument is pictured. (Photo courtesy of Production Magazine and Ford Motor Company.)

• *The mechanical field.* A Tektronix engineering group, as an instance, is now actively pursuing the unique requirements of the pipeline industry for monitoring and maintenance of its giant pumps.

• *Medical electronics.* Indicative of Tektronix' attention to this market is the type 410 physiological monitor, to be introduced this month at San Francisco's WESCON electronics show. It meets needs of that profession that have been served by general-purpose oscilloscopes, and should be an important addition to medical instrumentation. The day draws nearer when an oscilloscope is as familiar to the physician as a stethoscope.

The scope market, a highly dynamic one, is greatly affected by the impact of new and improved products, that do existing jobs better, or let man do something he has never before done—or, not uncommonly, even thought of doing.

Thus the Tektronix oscilloscope is an enabling instrument; many of today's giant economic enterprises were born because of it. Had this instrument *not* been on hand to make the necessary measurements in the first place, those industries might well still be only gleams in someone's eyes.

The oscilloscope is the major and most common instrument of the electronics industry. This year, as each year, other scientific and economic disciplines made it *their* tool also.

A CONTRIBUTION to medical electronics is the Tektronix type 410 physiological monitor, a special-purpose instrument introduced this month. It is shown here at the University of Oregon Medical School, displaying the heartbeat of a patient in surgery.



THE 454: A CASE IN POINT

The upper limits of a technology at a given moment are termed "the state of the art." From time to time, an instrument will emerge that can be called a-state-of-the-art achievement. The term is never applied lightly.

The Type 454 dual-trace portable, introduced in March, is a state-of-the-art oscilloscope.

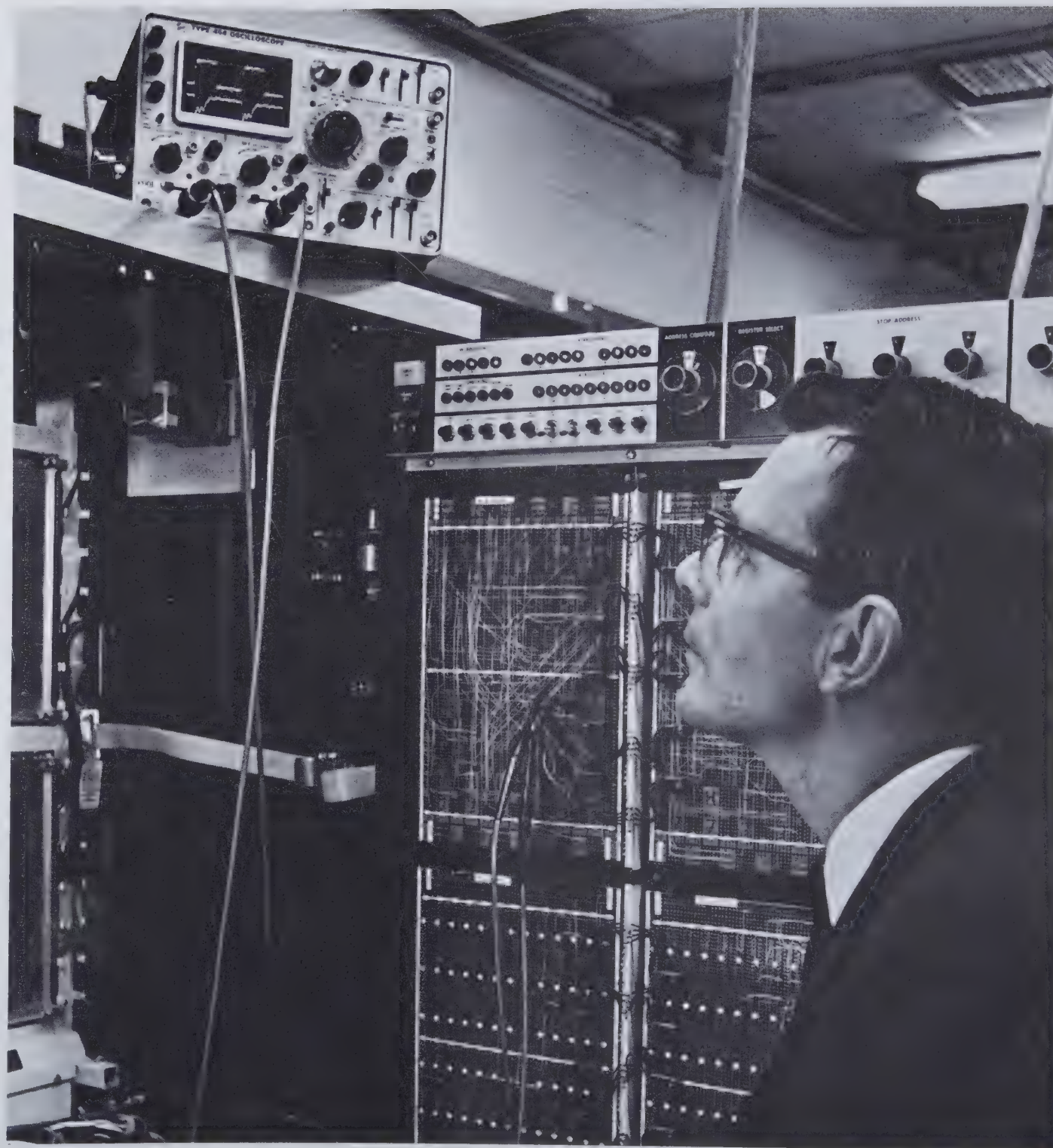
Hailed by the electronics industry as a major advance, the 454 reasserted Tektronix' role as innovator and pace-setter in the demanding, competitive field of oscillography.

The 454 has a 150 MHz bandwidth (very few other oscilloscopes attain 100 MHz) and a 2.4 nsec risetime—with or without a probe. It has already received excellent response not only from the computer industry, for whom ruggedness and portability are essential, but also for general research applications, because of its advanced, versatile performance.

An oscilloscope is a complex, intricate and integrated *system*; each major segment and many minor ones must be specifically tailored to the intended performance requirements. Put another—and more trite—way, a 'scope is no stronger than its weakest link.

The 454's compact 30-pound package contains about 1500 electronic components and 700 mechanical parts, and as much variety in circuits as a giant electronic computer. And their accuracy must be *far greater* than the individual "on-off" circuits of a digital computer!

A TYPE 454 high-performance portable oscilloscope tests the circuitry of an IBM 360 computer.



Because oscilloscope performance calls out unique and exceptional performance from so many of its segments, Tektronix in its 21 years has developed a highly vertically integrated operation—fancy words that say we've found it necessary, to attain superior performance or better service (or, less often, to gain cost advantage), to become our own major supplier.

The 454, typical of the technological advances for which Tektronix has been responsible, is worth analyzing to see just what it takes to make a state-of-the-art oscilloscope.

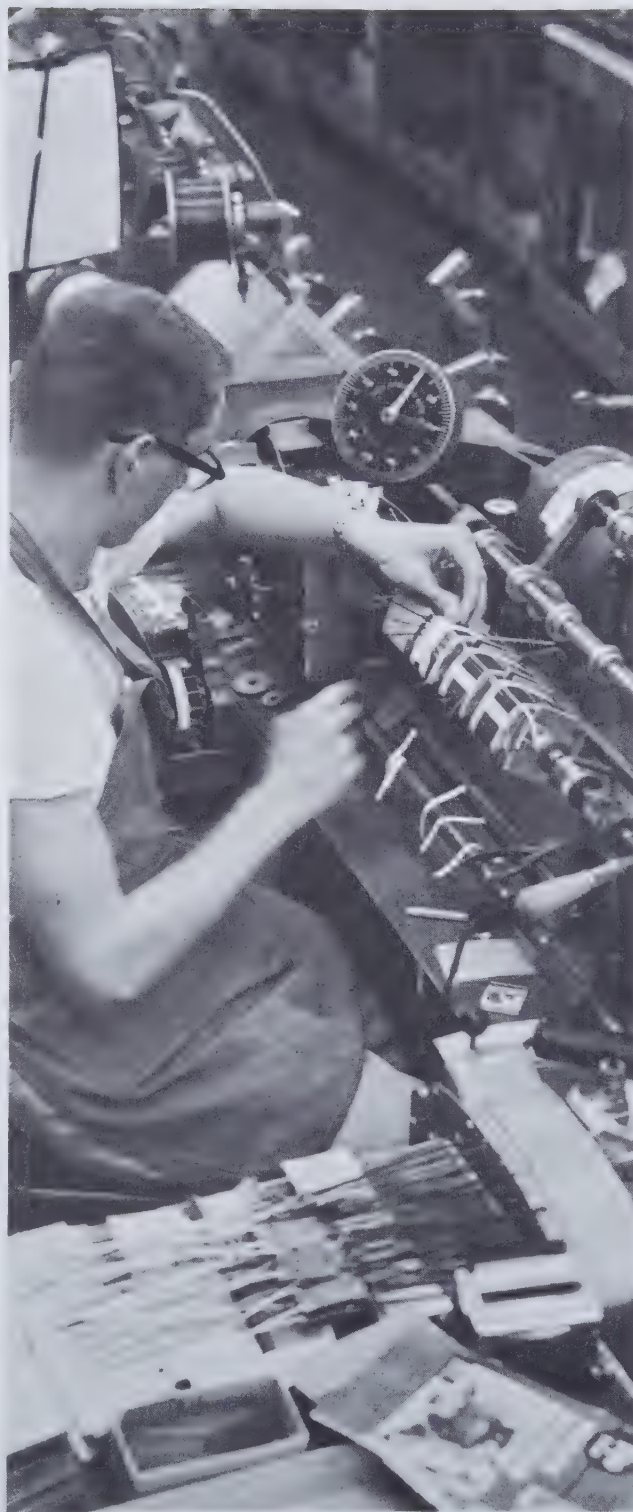
- *Probes*, devices that connect the oscilloscope to the circuit being measured.

For the scope's full measuring capability to be used, the signal must reach the instrument with the least loss or degradation. For most engineering applications, if you don't have performance at the probe tip—that is, at the circuit itself—the scope's specifications are meaningless. Thus the probe's risetime and bandwidth must exceed those of the scope itself.

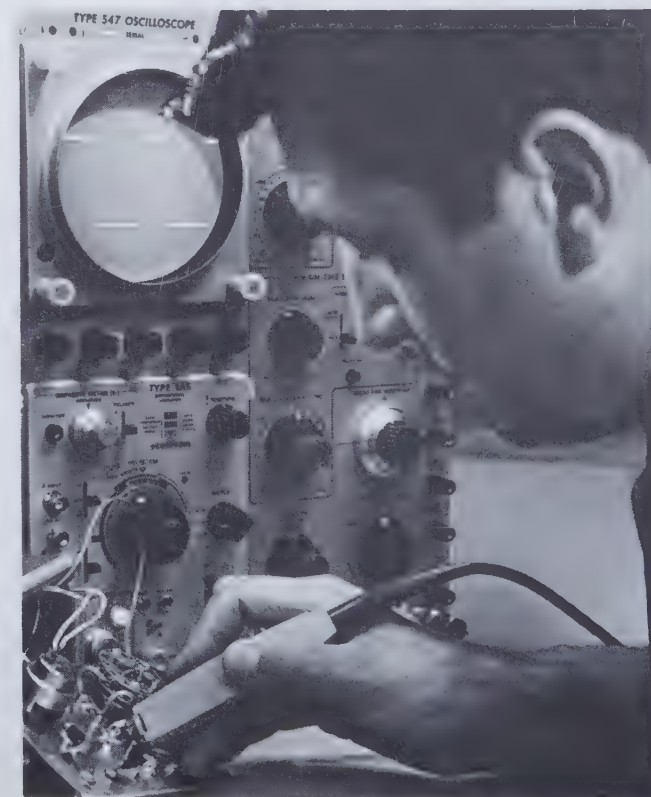
Observation of oscilloscopes in use hints strongly that, whatever make of scope a person buys, chances are he's using a Tektronix probe.

Our accessories group, responsible for probe design, also works with *transducers* of various kinds, devices that convert mechanical, chemical and other forms of energy into electrical energy, so an oscilloscope can measure it. We try to assure not only that the customer gets a superior instrument but also that he receives all the support we can give him in *using* that instrument. Through accessories development we are constantly improving his ability to connect to and easily use existing transducers.

Tektronix this year made its greatest advances to date in probe technology. With the "family" of state-of-the-art probes specifically designed for the 454, and with our expanding ability to make use of a variety of transducers, we've gone a long way toward enabling the measurement of almost any phenomenon—from capturing a one-time-only nuclear burst to testing automotive engines.



AMONG THE IMPORTANT steps in the production of a state-of-the-art oscilloscope is transformer manufacture (left). To enable the user to take the scope's measurement capability to the circuit itself, Tektronix continues to add advanced models of current and voltage probes. Pictured below is the type P6046, a wide-bandwidth differential probe just introduced.



- **Cable.** Our probes, to achieve this superior performance, in turn require components with unique electrical and physical characteristics. One is special coaxial cable, produced by Tektronix.

Only a very few manufacturers in the entire world have the ability to make this kind of low-capacitance, thin-wire cable.

- **Ceramic and plastic parts.** Probes, and many oscilloscope components, also require unique parts made of plastic (for instance, tips for general or specific applications) or ceramic. Tektronix has its own advanced facilities for development of both materials, and for producing a wide variety of parts.

Whether the need is a complex cathode-ray tube or a new neon-bulb holder, the in-house ability to have it tailored to the instrument is a great advantage for the designer.

The 454 cathode-ray-tube envelope, made of ceramic, is produced by Tektronix.

- **The cathode-ray tube.** CRTs are intricate components, as complex as many instruments. Fourteen years ago, Tektronix—against strong advice from many in the industry—decided to build its own. By doing so, we greatly improved our ability to advance oscilloscope performance. Like all our CRTs, the tube for the 454 is specially designed to meet that particular instrument's requirements—including the ability to reproduce waveforms of extremely fast single-shot electrical events.

- **Transformers.** Tektronix, by manufacturing its own transformers to the exact requirements of the instrument, gains the maximum in efficiency. Our use of very high-quality iron in transformer laminations results in a high ratio of electrical performance to weight—an essential in portable instruments. The 454 transformer, like all of ours, is guaranteed for the life of the instrument—a guarantee no other scope manufacturer makes.

- **Component evaluation.** Today's technology accelerates; many components become obsolete by the time they're put into use. The instrument producer is barraged daily with new

materials, new components and new claims. To assure that the optimum components are being used requires a thorough program of analysis and testing.

For instance, the 454 makes extensive use of plastic-encapsulated transistors, which give the customer a cost advantage. It was vital to make sure that their use would in no way compromise the required performance.

Component evaluation is heavily stressed here, for instrument reliability *is* what we sell.

- **Etched circuit boards.** The 454's portability and high performance benefit from extensive use of etched circuit boards, produced in our Electrochemistry plant, the largest specialized electrochemical facility in the Western United States.

Our probes, too, contain circuit boards, with very high density of subminiature electronic components.

- **Other components.** The 454's performance also relies on Tektronix-built precision capacitors, potentiometers, delay lines....

This year, a nagging problem was solved by the development of a line-voltage selector. Standard line voltage in the U.S. is 115 volts; in many other nations it is 230 volts. Existing methods of changing to the correct range were not satisfactory. The need was to develop our own; once again, the ability existed, in-house, to do the job.

The above are only a few examples of the critical skills required to produce the parts of the intricate electronic system that is our product. (And this doesn't even mention the prime role of the instrument design engineers, for whom these superb components are the raw material from which to create a new oscilloscope.)

In *all* our areas, "It has to be Tek quality," is an informal but demanding criterion; in meeting it, men and women with unique and highly developed skills play a wide variety of crucial roles in instrument development and production. It goes (maybe too often) without saying that Tektronix is very proud of them all.



ETCHED CIRCUIT boards are among the components manufactured at Tektronix. In the 454, boards provide critical spacing and alignment, enabling instrument portability as well as high performance.

1967: THE COMPANY IN SUMMARY

This year, besides growing in sales, earnings and orders, Tektronix:

Improved deliveries; reduced a towering backlog; launched a successful attack on technically vexing production problems; reversed an upward creep in non-production expenses; added to its manufacturing and warehousing space; introduced more new instruments than it ever had; greatly boosted productivity, thus increasing profits—and still ended the year in a very strong, balanced position.

And we made significant organizational changes, including a major one in product planning, so that we'll do better in the future.

If these items seem to fall into the category of miscellaneous information, it is nevertheless miscellany vital to the shareholder's understanding of his company's health.

Increased use of semi-automated processes; close attention to instrument buildability; fewer new employees to train, all contributed to an increase in productivity. But the key ingredient was *attitude*.

To simultaneously attack technical, backlog, cost, delivery and production problems—and to do so without building in excess manpower—required compromises that, although carefully chosen, occasionally placed very difficult demands on our people.

Some activities were halted, as effort was shifted to more immediately needed tasks; fluctuating, often heavy use was made of overtime; some employees were temporarily moved from one type of work to another, or from staff to production jobs. Such requirements can't be merely imposed; they will succeed only if they're willingly accepted. And they were.

Tektronix has always felt that the productivity of its employees results from their attitudes as much as their skills. To encourage productive attitudes, we've tried to make the well-being of the company a rewarding interest of the employee, through such programs as profit sharing and employee ownership.

To be healthy in a dynamic environment, a company cannot be rigid. It must be able and

willing to make not only short-term tactical shifts like those described, but also longer-term organizational adjustments. Tektronix made a number of such changes this year, including:

Product planning. As the market has grown, and instruments increased both in complexity and speed of obsolescence, the need has arisen for an advanced system of planning new products.

A product planning system has now been formalized, with the responsibility assigned to one person, who has been made a member of the Management Committee.

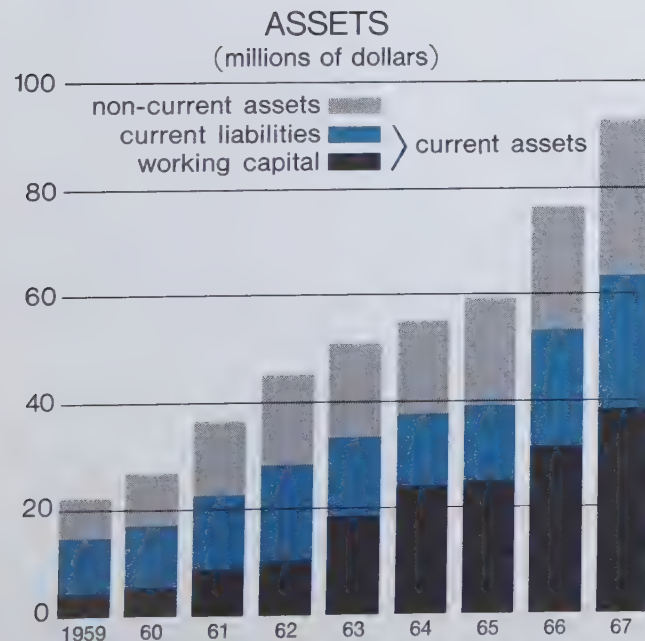
The new system of coordinated product-planning committees aims at developing entire long-range *programs*. It calls on the personal participation and continued attention of a very broad technical group—key engineers and virtually the entire top echelon of management. Mechanisms have been set up to insure that *all* product ideas are thoroughly evaluated; that all relevant company areas are involved at the earliest appropriate stage; that projects are continuously reviewed and re-assessed, and that commitment of company resources to agreed-on projects is rapid and unimpeded. One result, already, is a still further increased product awareness throughout our organization.

Because the new system *is* so broad, it is requiring a time-consuming initial educational effort. This time expenditure should decrease as the months pass.

It's hard to discuss this change without seeming to hint that our past product-planning approach has been ineffective; the company's reputation attests that it has not. But, simply put, we believe the new approach will let us do the job even better.

Tektronix now manufactures over 70 models of oscilloscope, about 60 types of interchangeable plug-in unit, a growing line of spectrum analyzers, about 25 other auxiliary instruments and a variety of optional oscilloscope accessories.

Organizational changes. To solve problems caused by new instruments and new assembly





techniques, Product Manufacturing was restructured to combine into a single responsibility what had been operating as four distinct manufacturing entities. Thus, major descisions on common problem areas may be more easily made and more effectively implemented.

Engineering-Manufacturing relationships continue to be very closely coupled. The resultant sharing of viewpoints has enabled new instruments to move smoothly into assembly, without the irksome minor production kinks that—especially in a year of very high output—could easily have occurred.

An Electromechanical group was formed, to make relays, switches, oscillators, microwave hardware, cables and delay lines, meeting the unique requirements of advanced oscilloscope models.

The Metals and Plastics responsibility was separated into essentially a metals and a plastics operation, to allow more specific attention to the unique requirements of each category of components.

A variety of staff groups were combined into the Administrative Services function. A major effort is being made to assure that these support activities are closely integrated with, and

WHEREVER IN THE WORLD research and development is going on, you will find Tektronix oscilloscopes. This scene is at an IBM development engineering facility in Great Britain. (Photo courtesy IBM.)



in the proper cost relationship to, operational needs.

In Marketing, five field offices were opened: In Newport News and Alexandria, Va., and Rockville, Md., all replacing the former Washington, D. C. field office; and Santa Barbara, Cal. and St. Louis, Mo. Tektronix field offices now total 42, in major U. S. electronics centers.

In addition, 14 field offices serve customers in Canada, Australia, France, Switzerland and The United Kingdom. There, as in the U. S., factory-trained technical personnel continue to enhance a close company-customer rapport that has long been a major Tektronix strength.

Intensive customer support includes instruction and demonstration in oscilloscope application and maintenance. Customer-training classes are provided at the factory at Beaverton and on Guernsey, in some field offices and on the customer's premises.

In personnel, Tektronix ended the year with 7270 employees, including 400 added through acquisitions. The total is 788 more than a year earlier. Other than some few employees in The Netherlands—where trade-union membership is the rule—none of our people are represented by labor organizations.

New officers. Largely in recognition of the responsibilities they hold, three new vice-presidents were named: Manufacturing Manager Michael J. Park, Marketing Manager Keith S. Williams and Engineering Manager William J. Polits.

The Controller, Elwell E. Swanson, was made a corporate officer.

Tektronix vs. U. S. Our lawsuit in the Court of Claims against the U. S. government for infringement of eight of our patents by government contractors, continued—slowly.

The court's decision, which we'd hoped for by early 1967, ran into further delays. Our expectation continues for a favorable result.

Process and machinery advances. Three advanced computers were put into service, including one used for scientific and engineering



VIDEO-TAPE recorder is used for experimental color television work in the British Broadcasting Corporation's Engineering department, London. A Tektronix oscilloscope and a waveform monitor are included in the studio equipment. At left, automatic washing machines are laboratory tested for vibration, cycling and loading, at Borg-Warner Corporation. Electronic testing equipment is an increasingly familiar sight throughout the commercial world. (Photos courtesy Industrial Electronics magazine, BBC, Borg-Warner.)

tasks, for numerical-control programming of semi-automated punch-presses and drilling machines and for producing parts drawings.

Our integrated-circuit laboratory completed its first full year. The new people hired into this activity have progressed faster than we had any reason to expect. The IC activity, an extension of our semiconductor capability, lets us build circuits that are not commercially available, to specifically fit the needs of the particular oscilloscope.

Increased use of advanced production techniques, including automatic component insertion and flow soldering, and computer-tape-programed shop equipment, contributed to production efficiency.

Education and training. The accelerating rate of change in processes and methods; in science and technology, and in the industrial environment—as well as the social—serves to underline Tektronix' emphasis on self-renewal through continuous education.

This year, about 3000 of our men and women took part in some form of schooling, either in our own extensive education program or abetted by full or partial tuition refunds at colleges in the area.

Our formal and our informal training seek both to improve employees' knowledge of present or future job skills, and to encourage the broadest individual development. Company courses are taught on our premises by selected instructors from local faculties as well as Tektronix personnel with specialized skills or knowledge.



In the coming year, grouping all our educational and training activities in a building to be entirely devoted to this purpose will enable increasingly efficient use of educational materials, resources and facilities.

Expanding facilities. Needed space for administrative and warehousing activities is being provided; work continued on schedule for our 84,000-square-foot Operations Center, which this fall will house accounting, order processing, personnel, data systems and purchasing, and a 69,000-square-foot warehouse, which has just been completed. The warehouse will let us vacate 50,000 square feet of leased space in the Beaverton area.

Tektronix now owns, worldwide, about 1,370,000 square feet of manufacturing, technical and administrative space; it rents an additional 215,000 square feet. In the U. S., our buildings include 1,120,000 square feet, all in our 300-acre industrial park near Beaverton; and two buildings totaling 100,000 square feet on a nearly 14-acre tract, used for developmental and light manufacturing activities.

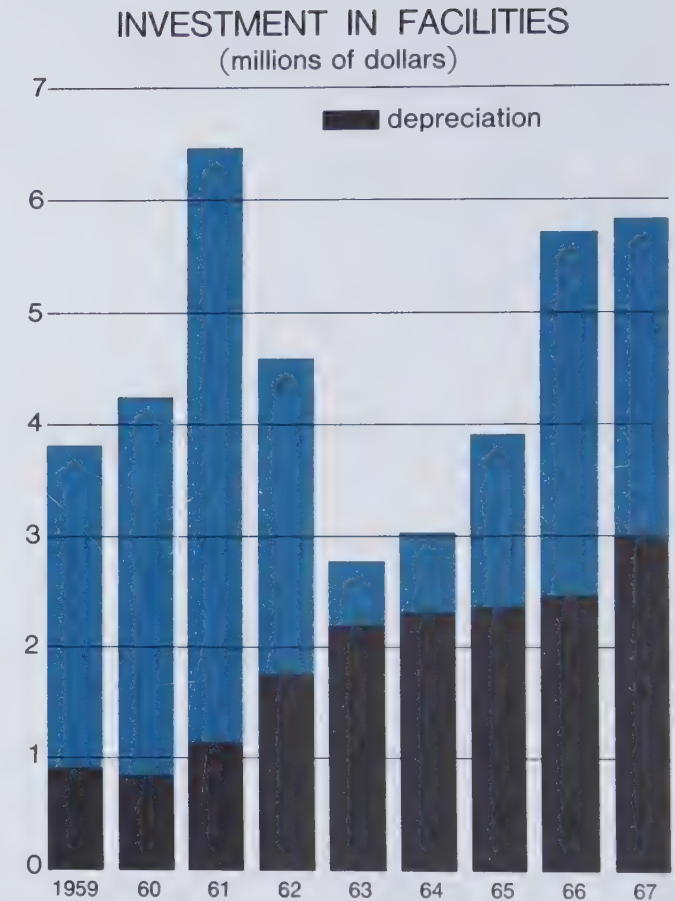
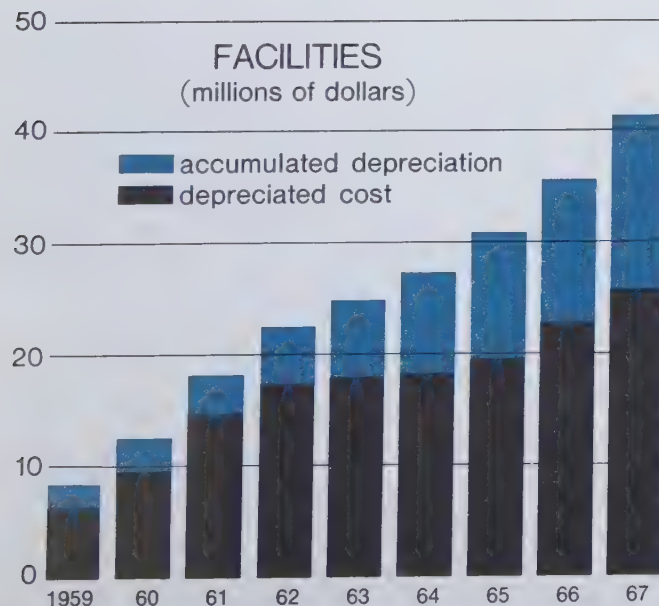
In our industrial-park complex, already a largely self-sustaining physical plant, important improvements were made in power, gas and water-supply facilities. These improvements not only safeguard the continuity of manufacturing, but also provide a firm footing for future growth.

This year Tektronix Holland, in Heerenveen, occupied a 32,000-square-foot addition. On Tektronix Guernsey, a 35,000-square-foot addition will be completed in the coming year.

Acquisitions. Tektronix this year acquired a manufacturing company and a marketing outlet:

- Telequipment Ltd., London-based manufacturer of oscilloscopes in a price and performance range to complement ours, was purchased in late January. It employs about 300 people.

One major effect of acquiring this lower-priced instrument line will be in undeveloped countries, whose technology does not yet require the sophistication (or justify the price) of Tektronix instruments. We hope to put scopes in the hands of these users; then, as their needs



READY FOR OCCUPANCY in the fall will be the new Operations Center, which will house a variety of administrative and support activities. View is from Technical Center fourth level.



grow, they will already know us as a supplier.

In November, Tektronix acquired 80 per cent ownership of Relations Techniques Intercontinentales, since 1952 the distributor of Tektronix products in France. This acquisition represents an extension of our effort to directly market our technically complex products. We have obtained land in a Paris suburb and this year will build a 23,000-square-foot structure to house the operation. This will replace the crowded quarters now occupied and should enable substantial improvement in operations.

International manufacturing. At Heerenveen, we added four oscilloscopes and three plug-ins to our product line, now totaling 28 instrument types; at Tektronix Guernsey Limited, three oscilloscopes and two plug-ins, bringing their total to 43 instruments; and at Sony/Tektronix, Tokyo, two instruments; 14 instrument types are now produced there.

The success of Sony/Tektronix is noteworthy. In Japan, with direct marketing activity not yet begun, sales of Tektronix instruments have more than doubled in two years of operation. Sales of S/T-manufactured products total about as much as did *all* Tektronix sales two years ago; what's more, export sales to Japan from Beaverton have also increased—contrary to what we expected. Two Beaverton-trained field engineers are at work at Sony/Tektronix; others are in training at Beaverton; a sales manager has been chosen; and we expect to take over all direct marketing in Japan by year's end.

Oscilloscope standards committee. A final note, regarding a different aspect of international technology:

Over the past two years, a subgroup of the International Electrotechnical Commission has held a series of meetings in Europe to develop a set of world-wide oscilloscope standards. This year the committee—including technical personnel from inside the Iron Curtain as well as throughout the Free World—completed its proposed set of standards.

The member of that committee who served as the U. S. oscilloscope expert was, significantly enough, from Tektronix.



IN-PROCESS TEST equipment designed and built by Tektronix (above) insures rapid, reliable quality control in our Test-Final Assembly area. At right, employee displays a panel produced by a Wiedematic turret punch press, which is run by a computer-programmed tape. Such semi-automatic processes enable increased production efficiency, eliminate many tedious manual tasks and upgrade jobs.

1968: THE PROSPECTS, IN CONJECTURE

Two years of very strong orders and sales make a tough act to follow. And next year is a tough year to predict. For it would take more than a fine oscilloscope to measure in advance the net effect of the many forces that bend and shape the world economy.

Several building projects, and plans to recruit more engineers and to increase our field marketing staff by 20 per cent are among the signs of Tektronix' confidence.

After the strenuous activity of the past two years, the possibility of more moderate growth

offers us time in which to do a quality job of preparing for the wider markets of the years to come.

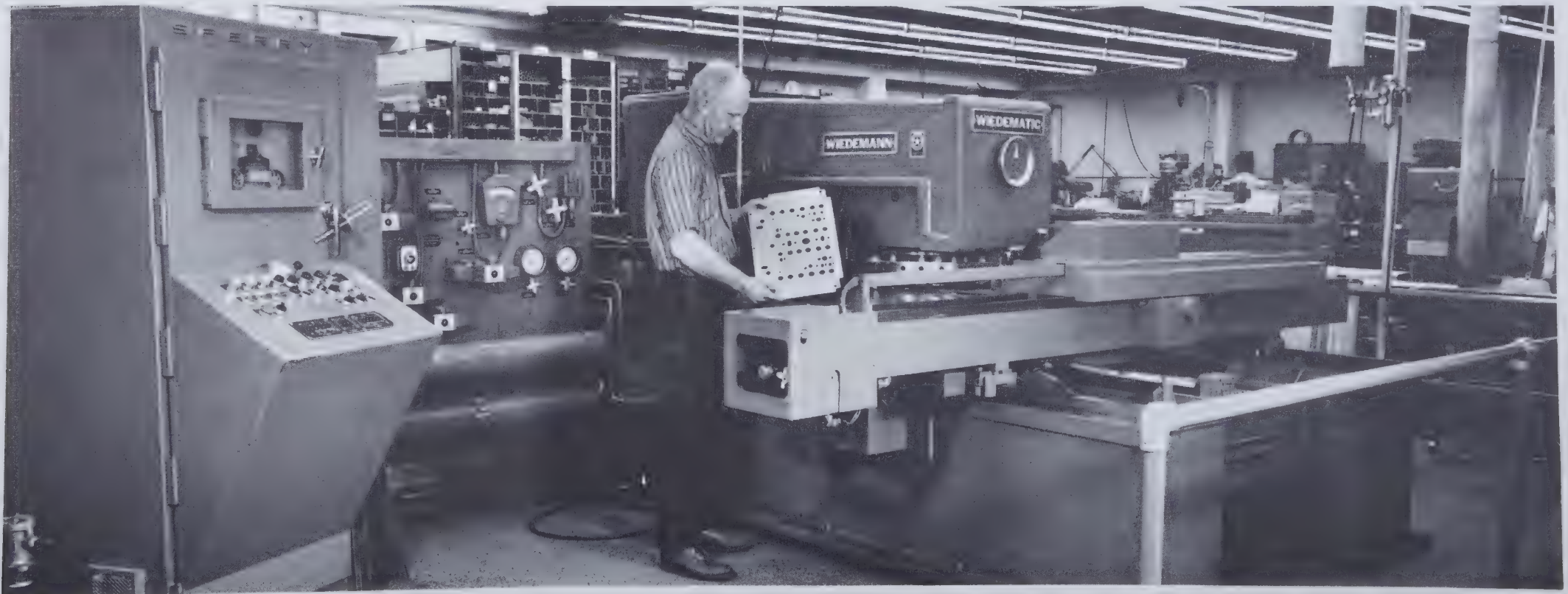
Groundwork of one kind is in product planning, already described to you. Another is expansion of physical facilities. Additions will be made in Beaverton to our Ceramics, Electrochemistry and Cathode-Ray-Tube buildings, to meet increased future demands on those special technologies. A remodeled education and training building will let us double our "student body" of customer trainees.

A new field office in St. Paul, Minn. will bring our U. S. total to 43. An addition will be occupied on Guernsey, and a new building is planned for RTI in France. Sony/Tektronix will occupy larger quarters in Tokyo, and Telequipment Ltd. will double its manufacturing capacity by taking over additional space in London.

A major strength as we face the new year is the potency and resilience of the organization itself. Inventory is in an excellent position; unfilled customer orders are at comfortable but not overwhelming levels. Integration of advanced technical and production processes continues smoothly and rapidly.

In a U. S. economy that appears to have crested, and in a world business climate difficult to assess, Tektronix is deploying its resources to take fullest advantage of *whatever* the market may prove to be; and, through our continued product initiative, to keep expanding old and creating entirely *new* markets.

We will bring full effort to bear this year on developing and broadening the usage of our products. And, when the economy once again becomes dynamic, we intend to see that the advanced instruments it needs are ready.





ACCOUNTANTS' OPINION

TEKTRONIX, INC.:

We have examined the statement of consolidated financial condition of Tektronix, Inc. and subsidiaries as of May 27, 1967 and the related statements of consolidated earnings and reinvested earnings and of consolidated resources provided and applied for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Previously we made similar examinations for each of the two preceding years shown.

In our opinion, the accompanying statements present fairly the financial position of the companies as of May 27, 1967 and the results of their operations and the resources provided and applied for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

Portland, Oregon
July 14, 1967

EXPLANATION OF FINANCIAL STATEMENTS

Corporate performance and strength are usually measured by financial figures, although they only tell part of the story. It is hoped the explanation included as part of the financial statements will assist shareholders unfamiliar with financial analyses to a better understanding of Tektronix.

Performance is usually presented on the earnings statement, which shows how much of the revenue, mostly from sales, can be kept by the company after paying the costs of goods sold and the expenses of running the business.

Strength is pictured by the financial condition statement, which shows the cost of the assets or resources used in the business and tells what part of them is owned by the shareholders and what part owed to creditors.

Another statement called Resources Provided and Applied is gaining more frequent use, and shows the connection between the other two state-

ments. Note that the first item on the resources statement is the earnings shown on the earnings statement. The last item is the working capital shown on the financial condition statement.

To best adapt to conditions outside the United States Tektronix operates in Japan through a non-consolidated 50%-owned company, and elsewhere through one majority controlled and several wholly-owned subsidiary corporations. However, a meaningful financial picture of Tektronix is gained only by consolidated figures.

The figures on the financial statements are rounded to the nearest thousand dollars.

We hope these explanations will contribute to better understanding, and lead to further clarification.

TEKTRONIX CONSOLIDATED RESOURCES PROVIDED AND APPLIED

(THOUSANDS)			The accounting year is the 52 or 53 weeks ending the last Saturday in May.	
1965	1966	1967	This statement summarizes the origins of additional resources—the assets used in the business to which a monetary amount can be applied—and tells how the company used them.	
\$10,015	\$14,181	\$19,455	THESE (additional) RESOURCES BECAME AVAILABLE FROM:	
7,319	11,052	13,389	EARNINGS Net income after income taxes.	
2,342	2,456	2,991	DEPRECIATION OF FACILITIES The amount deducted from net sales representing the decrease in value of buildings, machinery and equipment resulting from use, wear and age. These did not involve payments to outsiders, and most were computed by the sum-of-year's-digits method.	
57	80	197	AMORTIZATION OF INTANGIBLE ASSETS The amounts deducted from net sales representing the write-off of costs of intangible assets, which also did not involve payments to outsiders.	
153	391	548	DISPOSITION OF TREASURY SHARES Net proceeds from sale of Tektronix, Inc. treasury shares to employees exercising stock options or as part of employee share purchase plan and value of shares used for acquisition of Pentrix Corporation.	
144	202	100	RECOVERY OF COST ON SALES OF FACILITIES That part of the proceeds from sales of machinery and equipment no longer needed by the company, equivalent to the depreciated cost.	
—	—	586	OWNERS OF MINORITY INTEREST IN SHAREHOLDERS' EQUITY OF SUBSIDIARY Portion not purchased by Tektronix, Inc. of shareholders' equity in subsidiary plus corresponding earnings of that subsidiary.	
—	—	1,644	LONG-TERM INDEBTEDNESS INCURRED Portion of purchase price of acquired companies to be paid in instalments.	
9,443	6,931	11,678	THESE RESOURCES WERE USED FOR:	
3,910	5,705	5,803	ADDITIONS TO FACILITIES Cost of buildings, machinery and furniture purchased or constructed.	
3,826	43	749	REDUCTION OF LONG-TERM INDEBTEDNESS Amounts becoming current liabilities due within one year and amount prepaid.	
113	69	3,546	INTANGIBLE ASSETS Amounts paid in excess of values ascribed to the net tangible assets of the companies acquired (goodwill).	
139	76	372	INVESTMENTS Including cost of investment in and advances to 50% owned Sony/Tektronix Corporation and miscellaneous investments.	
1,455	898	1,208	PURCHASE OF TREASURY SHARES Cost of Tektronix, Inc. common shares purchased.	
—	140	—	OTHER	
572	7,250	7,777	RESULTING INCREASE IN WORKING CAPITAL Added to	
24,095	24,667	31,917	WORKING CAPITAL AT BEGINNING OF PERIOD Results in	
24,667	31,917	39,694	WORKING CAPITAL AT END OF PERIOD	

TEKTRONIX CONSOLIDATED EARNINGS AND REINVESTED EARNINGS

The accounting year is the 52 or 53 weeks ending the last Saturday in May.

(THOUSANDS)			
1965	1966	1967	
\$81,099	\$101,759	\$129,031	NET SALES For internal purposes, business is measured at the catalog value of the product sold or manufactured, and the resale discount to distributors is considered a marketing expense for the services they provide us and our customers. Tektronix sold directly to customers at retail in the U.S., Canada, U. K., Australia and Switzerland, and in France for the last half of 1967, and to distributors for resale in most of the rest of the world. Sales of the Telequipment line were included from January 21, 1967. Net sales are the amounts received from customers or distributors after resale discounts. From NET SALES are deducted
35,834	44,733	59,511	MANUFACTURING COST OF SALES Includes the cost of materials used in the products sold, the payroll costs of the employees who fabricated and assembled them, the payroll of their supervisors and those who assisted them, and the expense of running the manufacturing operations, leaving
45,265	57,026	69,520	GROSS PROFIT From which must be deducted
31,494	37,770	44,484	OPERATING EXPENSE AND PROFIT SHARING
8,988	8,745	9,548	SELLING Comprising payroll of field engineers and employees who assist them, commissions to some marketing representatives, advertising, travel, rent of offices, and the other expenses of marketing.
7,260	9,223	10,428	RESEARCH AND DEVELOPMENT Payroll of engineers, creators and those who help them design and develop new products and improve existing products, including supplies and all other related expenses.
7,693	8,992	10,764	ADMINISTRATIVE Including payroll of executives and personnel working on accounting, employment, data processing, facilities and communications functions, and the many expenses related to them.
7,553	10,810	13,744	PROFIT SHARING (Note 3) Which acts as an incentive for employees' performance by rewarding them with a share of the profits they are responsible for generating, leaving
13,771	19,256	25,036	OPERATING INCOME Which is (increased) or decreased by non-operating items
205	(346)	(143)	NON-OPERATING EXPENSE (INCOME)
(220)	(287)	(293)	GAIN ON DISPOSITION OF FACILITIES Amount in excess of depreciated cost recovered from sale of machinery and equipment no longer needed.
289	61	192	INTEREST EXPENSE Cost of borrowed money, including any prepayment penalty.
136	(120)	(42)	OTHER Including royalties, amortization of intangibles and one half the earnings of 50% owned Sony/Tektronix Corporation, leaving
13,566	19,602	25,179	INCOME BEFORE INCOME TAXES From which is deducted
6,247	8,550	11,740	PROVISION FOR INCOME TAXES Estimated income taxes of Tektronix, Inc. to be paid to the United States and
5,293	7,097	9,725	U.S. some twenty state governments, plus estimated income taxes to be paid other countries,
475	620	750	related to the taxable income of each subsidiary. Earnings have not been reduced by provision for income taxes that would be paid when subsidiaries distribute their earnings as
479	833	1,265	intercompany dividends. Deduction of income taxes results in
7,319	11,052	13,439	INCOME BEFORE MINORITY INTEREST From which is deducted
—	—	50	MINORITY INTEREST (Note 1) Share of earnings of one marketing subsidiary corresponding to portion of its equity not owned by Tektronix Inc., leaving
7,319	11,052	13,389	EARNINGS The measure of company performance—the amount available to repay debt and expand business.
32,414	39,733	50,785	REINVESTED EARNINGS AT BEGINNING OF YEAR
39,733	50,785	64,174	REINVESTED EARNINGS AT END OF YEAR (Note 4)
8,008	7,984	7,970	COMMON SHARES OUTSTANDING AT END OF YEAR
\$.91	\$1.38	\$1.68	EARNINGS PER COMMON SHARE Earnings for the year divided by the number of common shares outstanding at the end of the year.

The accompanying notes are an integral part of these financial statements.

TEKTRONIX CONSOLIDATED FINANCIAL CONDITION

(THOUSANDS)

May 29, 1965 May 28, 1966 May 27, 1967

\$39,064	\$52,781	\$62,952
3,008	1,913	2,241
2,957	4,596	3,528
12,810	17,188	21,682
(131)	(135)	(125)
742	746	1,476
552	680	873
19,126	27,793	33,277
4,733	4,723	6,228
8,808	12,679	14,554
5,585	10,391	12,495
14,397	20,864	23,258
69	1,500	—
26	26	749
3,051	4,267	3,508
4,913	6,300	7,993
3,537	4,999	6,494
1,817	2,517	2,486
839	1,058	1,203
145	197	825
24,667	31,917	39,694
19,516	22,720	25,433
18,438	22,361	25,065
8,504	11,967	12,646
134	143	184
(11,196)	(13,061)	(15,724)
617	565	622
3,019	745	2,640
157	145	3,494
410	469	841
475	432	1,328
—	—	586
44,275	54,819	67,548
5,997	5,997	5,997
(1,455)	(1,963)	(2,623)
39,733	50,785	64,174

CURRENT ASSETS Those assets likely to be converted to cash or used in the ordinary operation of the business, made up of:

CASH Mostly in checking accounts or deposits in transit.

CASH EARNING INTEREST Invested in savings accounts, certificates of deposit, U.S. treasury bills or prime commercial paper.

ACCOUNTS RECEIVABLE Amounts due from customers for sales on credit.

ALLOWANCE FOR DOUBTFUL ACCOUNTS Estimate of erosion in value of accounts receivable because a few customers may not pay us.

PREPAID EXPENSES Amounts paid for things that will not be used and deducted until the following year.

SUPPLIES Items that will be consumed in operating offices, maintaining facilities and running manufacturing plants.

INVENTORIES, AT LOWER OF COST (FIRST-IN, FIRST-OUT) OR MARKET The cost of products finished but not yet sold; purchased materials and parts to be fabricated and assembled into products; and the materials, payroll costs and other costs accumulated in the process of manufacturing products not yet completed.

Consisting of:

Finished goods

Work in process

Purchased materials

CURRENT LIABILITIES Obligations due to be paid within one year, including

NOTES PAYABLE Amounts borrowed for less than one year.

CURRENT PORTION OF LONG-TERM INDEBTEDNESS (Note 2) Instalment payments due within one year.

ACCOUNTS PAYABLE Amounts due suppliers for materials and services bought on credit.

U.S., STATE AND FOREIGN INCOME TAXES Taxes not yet paid.

EMPLOYEE PROFIT SHARING (Note 3) Due employees and their retirement funds.

PAYROLL AND PAYROLL TAXES Amounts due employees next payday, and taxes due on or withheld from pay.

VACATIONS Amounts earned by employees for their vacations, but not yet used or paid.

INTEREST AND MISCELLANEOUS TAXES Sales taxes collected and interest not yet paid.

WORKING CAPITAL Current Assets minus Current Liabilities.

FACILITIES AT DEPRECIATED COST (Notes 2 and 6) The cost of buildings and equipment used in the business, reduced by depreciation.

BUILDINGS AND GROUNDS Cost of buildings, including parking lots and landscaping.

MACHINERY AND EQUIPMENT Cost of furnishings.

LEASEHOLD IMPROVEMENTS Cost of remodeling rented space.

ACCUMULATED DEPRECIATION Reduction of value for use, wear and age which has been claimed as an expense of doing business, mostly computed by sum-of-year's-digits method.

LAND Cost of land used in business.

CONSTRUCTION IN PROGRESS Amounts paid before completion of buildings.

INTANGIBLE ASSETS Amounts not yet deducted (amortized) as a cost of doing business for the excess paid and estimated to be paid over the values ascribed to the net tangible assets of the companies acquired. These amounts are frequently called goodwill.

INVESTMENTS Including cost of land, mostly in Tektronix Industrial Park, not used in the business and the investment in and advances to 50% owned Sony/Tektronix Corporation at cost and one half its reinvested earnings.

LONG-TERM INDEBTEDNESS LESS CURRENT PORTION (Note 2) The unpaid portion minus payments due within one year of amounts borrowed for more than one year.

MINORITY INTEREST IN SHAREHOLDERS' EQUITY OF SUBSIDIARY Portion of shareholders' equity of one subsidiary not owned by Tektronix, Inc. (Note 1).

SHAREHOLDERS' EQUITY (Notes 4 and 5) The net assets or book value owned by shareholders. This is equal to the total assets (above) minus the total liabilities (current liabilities and long-term indebtedness) and minority interest. Shareholders' equity is made up of:

COMMON SHARES The amount the company received for issuance of common shares.

TREASURY SHARES The cost of Tektronix, Inc. common shares repurchased by the company and held in the company treasury.

REINVESTED EARNINGS The accumulation of earnings that has been reinvested in the business.

TEKTRONIX, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS, MAY 27, 1967

NOTE 1. PRINCIPLES OF CONSOLIDATION AND INVESTMENT IN SUBSIDIARIES:

The consolidated financial statements include the Company's wholly-owned subsidiaries operating in Canada, England, Channel Island of Guernsey, The Netherlands, Switzerland, and Australia, and one 80% owned company operating in France. Translation of foreign currencies to United States dollars has been made at the rates of exchange prevailing on May 27, 1967, these being the approximate rates in effect since the dates of organization or acquisition of the subsidiaries. All significant intercompany transactions have been eliminated. It is anticipated that the reinvested earnings of foreign subsidiaries will be required for use in their operations and no provision has been made for U. S. income taxes which would accrue upon payment of dividends to Tektronix, Inc.

On November 30, 1966 the Company acquired by purchase 80% of the outstanding shares of Relations Techniques Intercontinentales (RTI) and on January 21, 1967 Tektronix International A. G. acquired by purchase all of the outstanding shares of Telequipment Limited (Telequipment). The Statement of Consolidated Earnings and Reinvested Earnings includes the operations of these subsidiaries (the net income of which was not material) from the dates of their respective acquisitions. A portion of the purchase price of the shares in each acquisition is contingent, based on sales by the acquired companies for periods expiring December 31, 1969 in the case of RTI and November 30, 1968 in the case of Telequipment. In each case total estimated cost of the shares has been recorded.

The equity of the Company in the net assets of consolidated subsidiaries (after eliminating \$917,611 of intangibles carried on the balance sheet of RTI) exceeded the cost of the Company's investment by \$5,344,318 at May 27, 1967. This amount is included in the Statement of Consolidated Financial Condition as follows:

Consolidated retained earnings	\$7,261,576
Intercompany profit eliminated in consolidation.....	1,432,386
Excess of cost of investment in subsidiaries over equity in net assets at dates of acquisition (being amortized over periods ranging from approximately 7 to 10 years)	(3,349,644)
Total	<u>\$5,344,318</u>

NOTE 2. LONG-TERM INDEBTEDNESS:

At May 27, 1967 long-term indebtedness consisted of the following:		
	<u>Current</u>	<u>Long-Term</u>
Estimated balance of contract payable for purchase of 80% of the outstanding shares of Relations Techniques Intercontinentales contingent on sales by RTI to December 31, 1969	\$157,400	\$ 356,553
Contract payable representing balance of purchase price of all the outstanding shares of Telequipment Limited:		
Fixed portion—payable in two equal instalments.....	400,000	400,000
Estimated portion contingent on sales by Telequipment to November 30, 1968.....	164,946	164,947
Note payable to the City of Heerenveen, The Netherlands, 4½ % due in annual instalments of \$26,410—facilities which cost \$1,300,000 pledged.....	26,410	406,019
Total	<u>\$748,756</u>	<u>\$1,327,519</u>

NOTE 3. EMPLOYEE PROFIT SHARING:

Under the terms of the Company's profit-sharing plan, 35% of income before income taxes, profit sharing, and charitable contributions is provided for employee profit sharing.

NOTE 4. SHAREHOLDERS' EQUITY:

Authorized capital consists of 20,000,000 common shares without par value. At May 27, 1967 8,082,080 shares were issued, 112,094 shares had been reacquired and were held in the treasury, and 7,969,986 shares were outstanding. The 112,094 shares in the treasury on May 27, 1967 were reacquired by the Company at a cost of \$2,622,780. Because of this acquisition, reinvested earnings available for dividends and other distributions was limited to \$61,550,803 at May 27, 1967.

In connection with the acquisition of the net assets and business of Pentrix Corporation in 1964, accounted for as a purchase, the Company issued 8,330 common shares and agreed to issue contingent shares (not to exceed 21,672) based on sales of Pentrix products during the period from March 8, 1964 to March 4, 1967 (including orders on hand at the latter date). Pursuant to this agreement the Company has issued, on the basis of sales to March 4, 1967, 5,138 contingent shares. Management estimates that not more than 1,000 additional contingent shares will be issued. The market value of the contingent shares is being charged to income as the liability to issue such shares accrues. The excess (\$85,059) of the market value of the initial shares over the value of the net tangible assets acquired will be amortized by charges to income during the period from the termination of the contingent payments to May 1969.

NOTE 5. EMPLOYEE STOCK OPTION AND SHARE PURCHASE PLANS:

Under a stock option plan for employees, in which the options are "qualified stock options" as defined by the Internal Revenue Code, 159,950 common shares of the Company are reserved. The plan provides that the option price shall be not less than 100% of the fair market value of the shares on the date of grant and that the options are exercisable in four (or fewer, where the option period is less than five years) cumulative annual installments beginning one year after the date of grant.

At May 27, 1967, options to purchase 154,520 shares were outstanding for which the option price, ranging from \$15.95 to \$38.45 per share, amounted to \$3,409,830. During the year then ended options which became exercisable and options exercised were as follows:

	<u>Options Exercisable</u>	<u>Options Exercised</u>
Number of shares	41,879	19,750
Option price:		
Range per share	\$15.95 to \$38.45	\$15.95 to \$21.20
Total	\$789,845	\$317,638
Market value at date exercisable or exercised:		
Range per share	\$42.00 to \$45.50	\$27.60 to \$44.40
Total	<u>\$1,885,695</u>	<u>\$712,536</u>

The Board of Directors has adopted and intends to submit to the shareholders at the September 16, 1967 annual meeting a new stock option plan providing for the reservation of an additional 200,000 common shares.

Under an "Employee Share Purchase Plan" adopted by the Company during the year 200,000 common shares of the Company were reserved. To May 27, 1967, 3,968 treasury shares had been sold to employees pursuant to the plan. The share purchase discount provided in the plan (which may not exceed 15% of market value on the date of purchase), amounting to \$8,126 has been charged against income.

NOTE 6. COMMITMENTS AND CONTINGENT LIABILITIES:

The companies are committed to pay aggregate rentals of approximately \$2,000,000 on building leases expiring from June, 1967 to September, 1984. Rentals under these leases for the year ending May 25, 1968 will be approximately \$390,000.

In connection with the expansion of facilities, the companies were committed under contracts and purchase orders in the amount of approximately \$1,100,000.

TEKTRONIX CONSOLIDATED FINANCIAL STATISTICS

(DOLLARS, SHARES AND SQUARE FEET IN THOUSANDS)

1959	1960	1961	1962	1963	1964	1965	1966	1967	Fiscal Year ending in May
31,593	43,006	50,278	60,136	70,451	75,503	81,099	101,759	129,031	NET SALES
3,652	4,568	4,909	4,607	5,771	6,308	7,319	11,052	13,389	EARNINGS
46¢	57¢	62¢	58¢	72¢	78¢	91¢	\$1.38	\$1.68	Per Share
11.6%	10.6%	9.8%	7.7%	8.2%	8.4%	9.0%	10.9%	10.4%	% of Sales
50.0%	41.8%	31.7%	22.7%	23.3%	20.7%	19.1%	25.0%	24.4%	% of Beginning of Year Shareholders' Equity
4,595	5,411	6,098	6,390	7,981	8,636	9,718	13,589	16,577	CASH FLOW
7,819	9,668	10,448	9,787	11,433	12,200	13,566	19,602	25,179	INCOME BEFORE INCOME TAXES
24.7%	22.5%	20.8%	16.3%	16.2%	16.2%	16.7%	19.3%	19.5%	% of Sales
53.3%	52.8%	53.0%	52.9%	49.5%	48.3%	46.0%	43.6%	46.6%	Income Tax Rate
9,071	12,318	16,520	21,978	26,143	26,146	26,018	32,489	38,192	PAYROLL BEFORE PROFIT SHARE
4,334	5,708	5,889	5,179	6,488	6,509	7,553	10,810	13,744	EMPLOYEE PROFIT SHARE
49	183	355	507	496	485	289	61	192	INTEREST EXPENSE
469	536	867	1,092	1,144	1,185	1,198	1,436	1,588	Facilities in Use at Year End in Square Feet
8,153	12,366	17,970	22,139	24,623	27,123	30,712	35,781	41,157	COST OF FACILITIES
3,806	4,233	6,486	4,600	2,749	3,043	3,910	5,705	5,803	INVESTED IN FACILITIES
943	843	1,189	1,783	2,194	2,301	2,342	2,456	2,991	FACILITIES DEPRECIATION
1,613	2,442	3,426	4,913	7,009	9,031	11,196	13,061	15,724	ACCUMULATED DEPRECIATION
22,072	27,054	37,384	45,627	51,329	55,322	59,147	76,116	92,720	TOTAL ASSETS
4,595	5,345	6,436	8,401	8,958	10,801	12,679	17,053	21,557	ACCOUNTS RECEIVABLE NET
9,307	10,936	15,228	17,208	21,033	20,430	19,678	28,473	34,150	INVENTORY (Including supplies)
15,532	17,130	22,404	27,995	33,318	36,857	39,064	52,781	62,952	CURRENT ASSETS
11,132	11,583	13,075	16,683	14,138	12,762	14,397	20,864	23,258	CURRENT LIABILITIES
4,400	5,547	9,329	11,312	19,180	24,095	24,667	31,917	39,694	WORKING CAPITAL
—	—	4,000	4,528	7,128	4,728	501	458	2,077	LONG-TERM INDEBTEDNESS
									(Including current portion)
7,980	7,980	7,980	7,980	7,980	8,073	8,008	7,984	7,970	Common Shares Outstanding
10,940	15,471	20,309	24,815	30,463	38,258	44,275	54,819	67,548	SHAREHOLDERS' EQUITY
3,990	3,990	3,990	3,990	3,990	5,844	5,997	5,997	5,997	COMMON SHARE CAPITAL
6,950	11,481	16,319	20,825	26,473	32,414	39,733	50,785	64,174	REINVESTED EARNINGS
2,950	3,515	4,330	5,285	5,430	4,910	4,982	6,482	7,270	Number of Employees at Year End

Statistics for years prior to fiscal 1959 included in the 1964 annual report.

BOARD OF DIRECTORS

M. J. MURDOCK, *Chairman of the Board*
JAMES B. CASTLES, *Secretary & General Counsel*
WALTER P. DYKE, *President, Field Emission Corporation*
ROBERT G. FITZGERALD, *Executive Vice President*
HOWARD VOLLUM, *President*
FRANK M. WARREN, *President, Portland General Electric Company*

OFFICERS AND MANAGEMENT

HOWARD VOLLUM, *President*
ROBERT G. FITZGERALD, *Executive Vice President*
MICHAEL J. PARK, *Vice President*
WILLIAM J. POLITS, *Vice President*
WILLIAM B. WEBBER, *Vice President*
KEITH S. WILLIAMS, *Vice President*
JAMES B. CASTLES, *Secretary and General Counsel*
DON A. ELLIS, *Treasurer*
ELWELL E. SWANSON, *Controller*
F. H. NEISSER, *Assistant Secretary*

MARKETING

KEITH S. WILLIAMS, *Vice President, Marketing Manager*
THEODORE BRANDT, *Assistant, U. S. Marketing*
RICHARD HERDMAN, *Promotion*
Regional Sales Managers:
GORDON R. ALLISON, *Dallas*
FRANK ELARDO, *Atlanta*
HAROLD E. CHRISTENSEN, *Los Angeles*
RALPH F. EBERT, *Chicago*
WILLIAM WARD, *San Francisco*
DANIEL V. GUY, *Long Island*
CHARLES L. BOUFFIOU, *Philadelphia*
WILLIAM F. Kladke, *Syracuse*

ENGINEERING

WILLIAM J. POLITS, *Vice President, Engineering Manager*
GORDON BARNETT, *Display Devices Development*
LANGDON HEDRICK, *Instrument Engineering*
JOHN KOBBE, *Advanced Instrument Design*
WILLIAM D. WALKER, *Product Planning*
C. NORMAN WINNINGSTAD, *Information Display*

MANUFACTURING

MICHAEL J. PARK, *Vice President, Manufacturing Manager*
RUSSELL K. HANDLEY, *Materials Management*
KENNETH MATHIS, *Quality Assurance*
DERROL PENNINGTON, *Component Manufacturing*
KENNETH F. SPOONER, *Product Manufacturing*
OTTO ZACH, *Manufacturing Planning*

ADMINISTRATION

BYRON BROMS, *Corporate Planning*
FRANK CONSALVO, *Administrative Services*
ERWIN ASHENBRENNER, *Operations and Maintenance*
DWAIN QUANDT, *Data Services*
GUYOT FRAZIER, *Personnel*

OFFICE OF INTERNATIONAL OPERATIONS

DONALD ALVEY, *Marketing*
FRANK DOYLE, *Assistant, Marketing*
EARL WANTLAND, *Manufacturing*
LESLIE F. STEVENS, *Accounting*
Managers of Subsidiaries:
ARTHUR BALL, *Tektronix Ltd. (Guernsey)*
NORMAN T. GWYNN, *Tektronix Guernsey Limited*
LAWRENCE L. MAYHEW, *Tektronix Holland N.V.*
HARRY SELLERS, *Tektronix U.K. Ltd.*
CHARLES BILLET, *Relations Techniques Intercontinentales, Paris, France*
RAOUL STEFFEN, *Tektronix International A.G. (Switzerland)*
EBERHARD von CLEMM, *Tektronix Canada Ltd.*
ROBERT JAMES YOUNG, *Tektronix Australia Pty. Limited*
E. D. E. GROOM, *Telequipment Ltd., London, England*
Sony/Tektronix Corporation, Tokyo, Japan:
TAKASHI KUMAKURA, *Manager*
HOWARD MIKESELL, *Manufacturing*
JOHN GATES, *Engineering*

TEKTRONIX MANUFACTURING FACILITIES

Tektronix, Inc., Beaverton, Oregon—Headquarters and Main Plant
Tektronix Guernsey Limited, Guernsey—Principally Serving
European Free Trade Association
Telequipment Ltd., London—Telequipment Instruments
Tektronix Holland N.V., Heerenveen, The Netherlands—Principally
serving European Common Market
Sony/Tektronix Corporation, Tokyo, Japan—Serving Japan and
other Asian Markets

TEKTRONIX MARKETING FACILITIES

UNITED STATES

Tektronix, Inc., Beaverton, Oregon—Headquarters

REGION OFFICES

Atlanta, Ga.	Long Island, N. Y.	San Francisco, Cal.
Chicago, Ill.	Los Angeles, Cal.	Syracuse, N. Y.
Dallas, Texas	Philadelphia, Pa.	

FIELD OFFICES

Albuquerque, N. M.	Greensboro, N. C.	Phoenix, Arizona
Alexandria, Va.	Hinsdale, Ill.	Pittsburgh, Pa.
Atlanta, Ga.	Houston, Texas	Poughkeepsie, N. Y.
Baltimore, Md.	Huntsville, Ala.	Rockville, Md.
Boston, Mass.	Indianapolis, Ind.	St. Louis, Mo.
Buffalo, N. Y.	Kansas City, Kan.	San Antonio, Texas
Chicago, Ill.	Long Island, N. Y.	San Diego, Cal.
Cleveland, Ohio	Minneapolis, Minn.	Santa Barbara, Cal.
Columbus, Ohio	Newport News, Va.	Seattle, Wash.
Dallas, Texas	Orange, Cal.	Springfield, N. J.
Dayton, Ohio	Orlando, Fla.	Stamford, Conn.
Denver, Colo.	Palo Alto, Cal.	Syracuse, N. Y.
Detroit, Mich.	Pasadena, Cal.	Van Nuys, Cal.
Endicott, N. Y.	Philadelphia, Pa.	Walnut Creek, Cal.

SERVICE CENTERS

Albuquerque, N. M.	Detroit, Mich.	Philadelphia, Pa.
Atlanta, Ga.	Endicott, N. Y.	Poughkeepsie, N. Y.
Baltimore, Md.	Greensboro, N. C.	Rockville, Md.
Beaverton, Ore.	Long Island, N. Y.	Springfield, N. J.
Boston, Mass.	Orange, Cal.	Syracuse, N. Y.
Chicago, Ill.	Orlando, Fla.	Van Nuys, Cal.
Dallas, Texas	Palo Alto, Cal.	

INTERNATIONAL MARKETING SUBSIDIARIES

England—Tektronix U.K. Ltd., London

Switzerland—Tektronix International A.G., Zug

Australia—Tektronix Australia Pty. Limited, Sydney (Headquarters Office), Melbourne and Adelaide

Canada—Tektronix Canada Ltd., Montreal (Headquarters Office), Toronto, Ottawa and Vancouver

France—Relations Techniques Intercontinentales, Paris (Headquarters Office), Toulouse, Nice, Lyon and Rennes.

TEKTRONIX MARKETING REPRESENTATIVES

Serviced by—Tektronix, Inc., Beaverton

Argentina, Coasin S.A., Buenos Aires;

Brazil, Importacao Industria E Comercio Ambriex, S.A., Rio de Janeiro; Sao Paulo;

Chile, Pentz y Cia, Ltda., Santiago;

Colombia, Manuel Trujillo Venegas & Cia, Ltda., Bogota;

Hong Kong & Macau, Intronic Limited, Hong Kong;

India, Hinditron Services Private Limited, Bombay;

Japan, Midoriya Electric Co., Ltd., Tokyo;

Mexico, Fredin S.A., Mexico City;

New Zealand, W & K McLean, Ltd., Auckland, Wellington;

Pakistan, Pak-Land Corporation, Karachi;

Peru, Importaciones y Representaciones Electronicas, S.A., Lima.

Uruguay, Compania Uruguay de Rayos X y Electromedicina S.A., Montevideo;

Venezuela, Tecnica Nuclear de Venezulea, C.A., Caracas.

Serviced by—Tektronix Limited, Guernsey, Channel Islands

Angola, Equipamentos Tecnicos, Lda., Luanda;

Austria, Inglomark Markowitsch & Co., Vienna;

Belgium, Regulation Mesure, SPRL, Brussels;

Denmark, Tage Olsen, A.S., Copenhagen;

Finland, Into O/Y, Helsinki;

France, Relations Techniques Intercontinentales, S.A., Paris;

Greece, Marios Dalleggio Representations, Athens;

Israel, Eastronics Limited, Tel Aviv;

Italy, Silverstar Ltd., Milan, Rome, Turin;

Lebanon, Projects Consulting Engineers, Beirut;

Norway, Morgenstjerne & Company A/S, Oslo;

Portugal, Equipamentos de Laboratorio Lda., Lisbon;

Republic of South Africa, Protea Physical & Nuclear Instrumentation (Pty) Ltd., Johannesburg;

Spain, Carlos Rafael Mares, S.L., Barcelona, Madrid;

Sweden, Erik Ferner, A.B., Stockholm;

The Netherlands, C. N. Rood, N.V., Rijswijk;

Turkey, M. Suheyl Erkman, Istanbul;

West Germany, Rohde & Schwarz Vertriebs-GmbH, Cologne, Hamburg, Munich, Berlin, Karlsruhe.

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